

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name St. Clair County Community Mental Health A	County St. Clair
Fiscal Year End September 30, 2006	Opinion Date March 12, 2007	Date Audit Report Submitted to State April 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

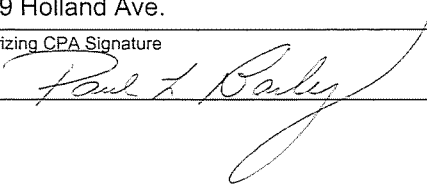
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.		City Port Huron	State MI
Zip 48060			
Authorizing CPA Signature 	Printed Name Paul Bailey	License Number 1101014088	

**ST. CLAIR COUNTY COMMUNITY MENTAL  
HEALTH AUTHORITY  
Port Huron, Michigan**

**ANNUAL FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2006**

Stewart,  
Beauvais  
& Whipple P.C.

---

CERTIFIED PUBLIC ACCOUNTANTS



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## TABLE OF CONTENTS SEPTEMBER 30, 2006

	<u>Page Number</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
Balance Sheet/Statement of Net Assets	9
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	10
Internal Service Funds – Statement of Cash Flow	11
Statement of Governmental Revenues and Expenditures – Budget and Actual	12
Statement of Fiduciary Net Assets	13
Statement of Changes in Fiduciary Net Assets	13
Notes to Basic Financial Statements	14
<b>Supplementary Financial Data:</b>	
Combining Schedule of Assets, Liabilities and Fund Balance	25
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	26
<b>Detailed Schedule of St. Clair CMH Operations –</b>	
Detailed Schedule of Revenues	28
Detailed Schedule of Developmental Disabilities Program Expenditures	29
Detailed Schedule of Mental Illness Program Expenditures	30
Detailed Schedule of Other Expenditures	32
Detailed Schedule of Contract Agency Expenditures	33
Detailed Schedule of Residential Home Expenditures	34
Transportation Expenses	35
Mileage Data (Unaudited)	36
<b>Internal Service Funds –</b>	
Combining Schedule of Net Assets	37
Combining Schedule of Revenues, Expenditures and Changes in Net Assets	38
Combining Schedule of Cash Flow	39

## INDEPENDENT AUDITOR'S REPORT

To the St. Clair County Community  
Mental Health Authority  
Port Huron, Michigan

We have audited the accompanying basic financial statements of the St. Clair County Community Mental Health Authority, a component unit of St. Clair County, Michigan, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the St. Clair County Community Mental Health Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

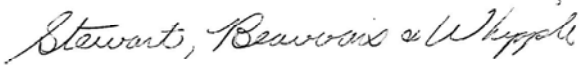
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Clair County Community Mental Health Authority as of September 30, 2006, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States.

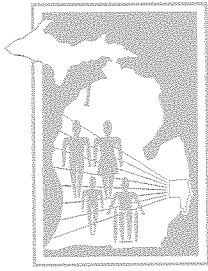
In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007 on our consideration of the St. Clair County Community Mental Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the St. Clair County Community Mental Health Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

March 12, 2007



ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

**Annual Financial Statements  
For the Year Ended September 30, 2006**

*St. Clair County  
Community  
Mental Health*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Michael P. McCartan**  
Executive Director

**Dennis R. Grimski**  
Associate Director  
Administrative Operations

**Debra B. Johnson**  
Associate Director  
Program Operations

**John V. Baugh, MD**  
Medical Director

**Richard Pack**  
Board Chair

*Achieving  
Excellence in  
Human Services*

This *Management's Discussion and Analysis* has been written by the management team of the St. Clair County Community Mental Health Authority. We offer readers of these financial statements this analysis of the financial activities of the Authority for the fiscal year ended September 30, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis (MDA) is intended to provide a basis of understanding of the St. Clair County Community Mental Health Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund (modified accrual) financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional information purposes.

In reviewing the financial statements the reader must be cognizant of two important budgetary areas. (1) The St. Clair CMHA operates a region-wide Medicaid program, which consists of revenues and expenses for the **Thumb Alliance PIHP Bureau** of the St. Clair CMHA. As such, the PIHP's financial statements reflect the financial status of the PIHP (central administration and Access Center); and include the revenues / expenditures for the entire Thumb Alliance provider network, including the PIHP's subcontracts with its major Comprehensive Specialty Services Networks (i.e. CMHs) for Medicaid services, including the St. Clair CMHA and its subnetwork providers. (2) The St. Clair CMHA also operates a **Program Operations Bureau**, which manages programs and services only germane to St. Clair County. Funding for these "St. Clair County only" programs and services include Medicaid funding received from the PIHP, along with funding from other sources such as Michigan's General Funds (GF); Adult Benefit Waiver (ABW) program; MI-Child program, and local county funds. As such, the supplementary financial report is broken down into the Thumb-Alliance PIHP provider component, and those financial statements

that pertain only to programs and services offered in St. Clair County with an eliminations column for revenues and expenses that are duplicated.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the St. Clair County Community Mental Health Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the St. Clair County Community Mental Health Authority's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation and sick).

### **Fund (Modified Accrual) Financial Statements**

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The St. Clair County Community Mental Health Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund (modified accrual) financial statements.

## **FINANCIAL HIGHLIGHTS**

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Authority's assets exceeded liabilities by \$9,981,277 at the end of the fiscal year.

The net assets are separated into three major components: (1) investment in capital assets which amounted to \$2,573,155 or 25.8% of net assets (2) restricted net assets of \$4,751,195 or 47.6% and (3) unrestricted net assets of \$2,656,927 or 26.6%. The restricted net assets are dollars set-aside from state and local funding, which are subject to external restrictions on how they may be used, to provide protection from expected and unexpected cost fluctuations related to its managed care risk contract with the Michigan Department of Community Health.

When comparing this fiscal year to the previous year, net assets have increased by \$1,057,048, which is 1.5% of annual revenues.

<u>Statement of Net Assets</u>	<u>FY 2006</u>	<u>FY 2005</u>
Current and other unrestricted assets	\$ 12,146,893	\$ 11,625,497
Restricted assets	6,144,005	5,538,916
Capital assets	<u>2,573,155</u>	<u>2,383,741</u>
Total Assets	<u>20,864,053</u>	<u>19,548,154</u>
Long-term liabilities outstanding	1,392,810	1,264,594
Other liabilities	<u>9,489,966</u>	<u>9,359,331</u>
Total Liabilities	<u>10,882,776</u>	<u>10,623,925</u>
Net Assets:		
Invested in capital assets, net of related debt	2,573,155	2,383,741
Restricted	4,751,195	4,274,322
Unrestricted	<u>2,656,927</u>	<u>2,266,166</u>
Total Net Assets	<u>\$ 9,981,277</u>	<u>\$ 8,924,229</u>

#### Statement of Activities

Revenues		
Intergovernmental	\$ 69,761,966	\$ 62,763,295
Charges for services	769,560	528,901
Interest and rents	692,718	410,849
Other revenues	<u>39,684</u>	<u>78,594</u>
Total Revenues	<u>71,263,928</u>	<u>63,781,639</u>
Expenses		
Developmental Disability Programs	5,840,404	5,752,564
Mental Illness Programs	8,415,403	8,067,105
Substance Abuse	574,287	485,127
Administration and Support Services	4,318,630	4,288,744
PIHP – Administration/Access Center	3,814,098	2,733,625
QAAP Tax	3,796,422	600,482
Other Alliance Boards	24,528,119	24,228,144
Grants	492,899	384,669
Institutional and State Residential Care	1,342,931	1,215,081
Contract Agencies	6,905,847	6,610,771
Residential Homes	10,757,473	9,973,485
Interest expense	-	13,958
Depreciation/loss on disposal	<u>376,039</u>	<u>278,960</u>
Total Expenses	<u>71,162,552</u>	<u>64,632,715</u>



Increase (decrease) in net assets before other financing sources	101,376	( 851,076)
County Appropriation	<u>955,672</u>	<u>955,672</u>
Increase in net assets	1,057,048	104,596
Net assets at beginning of year	<u>8,924,229</u>	<u>8,819,633</u>
Net assets at end of year	<u>\$ 9,981,277</u>	<u>\$ 8,924,229</u>

### **Financial Analysis of Fund (Modified Accrual) Statements**

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority reported an ending fund balance of \$5,568,331 which is an increase of \$711,691 from the prior year ending balance. Approximately 41% or \$2,260,875 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion; however \$1,300,000 is designated for contingencies and managed care. The remaining fund balance of \$3,307,456 or 59% is reserved to indicate that it is not available for new spending because (1) it is reserved to liquidate vacation and sick pay earned in prior periods and reimbursed by funding sources (2) it is monies advanced to other funds or (3) is for prepaid expenditures.

The increase in fund balance of \$711,691 is a result of a number of factors. A net increase was realized from excess local revenues of \$889,854. The change in accrued sick and vacation reserve accounted for an increase of \$128,216 and contributions accounted for a \$545 increase. Timing differences in recognition of fee revenues accounted for a decrease of \$66,144. Capital asset purchases net of related interest income and other equipment related changes not expensed in the MDCH settlement accounted for a decrease of \$184,051. A decrease of \$109,729 resulted from General Fund, Adult Benefit Waiver and MI Child dollars spent in excess of related revenues. A restatement of the prior year ending balance of \$53,000 accounted for the remaining change.

### **BUDGETARY HIGHLIGHTS**

The Authority prepares a formal budget prior to the beginning of the fiscal year with a formal amendment made mid-year and at nine months. Each of the budget amendments are approved by the Board. The actual revenues of \$70,852,756 were 4.2% over the original budget and 5.2% under the amended budget. The amended revenue budget approved by the Board reflected all projected Medicaid revenue as current year income. The \$4,250,699 of Medicaid Savings from FY 2006 to be used in FY 2007 is not reflected in revenue in the financial statements but rather as deferred revenue in the Balance Sheet. Medicaid Savings of \$4,252,332 from FY 2005 spent in FY 2006 was reflected in the amended budget as well as actual revenues.

The actual expenditures of \$71,154,145 compared to the original budget of \$66,593,686 represents a difference of \$4,560,459 or 6.8%. The difference between actual expenditures and the amended budget of \$71,675,327 was a decrease of \$521,182 or 0.7% of the amended budget. The difference between the original budget and the amended budget is primarily the result of two changes. First, the QAAP tax expense of \$3,796,422 paid to MDCH was not included in the original budget as it hadn't been approved at the time the original budget was prepared. The QAAP adjustment is an increase in Medicaid rates which is then returned to MDCH in the form of an assessment or tax of 6% on the gross Medicaid payments. Second, the Residential Homes budget increased to reflect a rate increase given to Group Home Corporations primarily for the purpose of providing a direct care worker wage increase. This increase was given in April but was made retroactive to October 1, 2005.

## CAPITAL ASSETS

The Authority had \$2,573,155 in capital assets, net of accumulated depreciation, at September 30, 2006. This is an increase of \$189,414 from the previous year. The purchase of one residential home represents an increase of \$199,999. The remaining change represents depreciation in excess of new equipment purchases for the year. The breakdown of assets at September 30, 2006 is as follows:

Land	\$ 256,551
Construction in Progress	2,000
Buildings	1,510,279
Leasehold Improvements	365,403
Equipment	<u>2,174,272</u>
	4,308,505
Accumulated Deprecation	<u>( 1,735,350)</u>
	<u>\$ 2,573,155</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Michigan, the primary source of funding for the St. Clair County Community Mental Health Authority continues to face high unemployment rates and a budget deficit for FY 2007. The funding category created by MDCH in FY 2003 called Adult Benefits Waiver, covering individuals previously with little or no medical coverage, continued in FY 2006 but with periods of no new enrollments. MDCH adjusted for increases or decreases in ABW revenue by increasing or decreasing General Fund revenues in FY 2006 by offsetting amounts. The total received in FY 2006 was \$629,163 with \$730,818 in expenditures resulting in the need to cover the \$101,655 deficit from General Fund revenues. MI Child revenues were \$26,268 with expenditures of \$111,686 or an \$85,418 deficit to be covered by General Fund revenues. Projections are for a continued deficit in ABW and MI Child funding in FY 2007.

St. Clair CMHA's General Fund allocation for FY 2007 is approximately equal to the 2006 allocation, subject to Executive order cuts that could occur to balance the State budget. St Clair CMHA Management took numerous steps to reduce General Fund expenditures in FY 2006 and those changes will continue to impact the General Fund deficit in 2007. The original budget for FY 2007 General Fund expenditures is approximately \$200,000 in excess of the anticipated GF revenue. As we proceed through FY 2007, it is projected that if state facility days used remain as

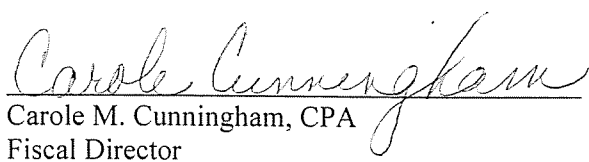
low as October through February were, a significant reduction to that deficit could be realized. Given that the CMH Board has a limited cash-reserve to cover budget over-expenditures, both the CMH Board and Management must continue to closely monitor the GF funding area. Further program and budgetary reductions may still be necessary during FY 07 (and perhaps beyond) in order to ensure the St. Clair CMHA operates its GF program within its budget limits.

Medicaid services are broken into 3 different categories referred to as State Plan Services (1915(b), B-3 Services (1915(b)(3), and Habilitation Waiver Services (1915(c). Medicaid PEPM rates are based on age, gender, eligibility code and geographical factors. They were rebased effective October 1, 2006 in accordance with the State's actuarial analysis conducted on behalf of MDCH. Projections for Medicaid revenues in FY 2007 are currently estimated at \$2,800,000 more than FY 2006. A portion of this increase is intended to provide an increase for "direct care workers," however, MDCH has not yet given final direction on how that is to be passed on. As in prior years, the projected Medicaid revenue is subject to fluctuation based on HSW enrollments, eligible enrolled beneficiary lives and potential rate changes by MDCH. As mentioned above, the Medicaid Savings at September 30, 2006 (for use in FY 07) was \$4,250,699 or a decrease of \$1,633 over FY 2006. A plan on how to spend the Medicaid savings in FY 2007 will be provided to the PIHP Board in March, 2007. Management believes that absent a significant decline in the number of Medicaid eligibles during FY 2007, a decline in HSW (C Waiver) revenues or further budget cuts, FY 2007 will end with significant planned savings to carry forward to FY 2008.

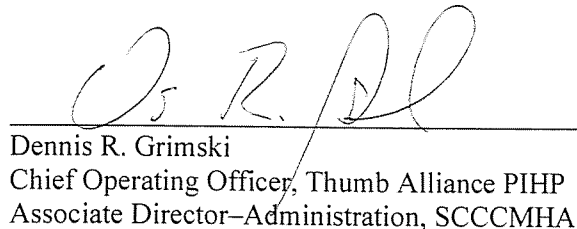
#### **CONTACTING THE AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the St. Clair County Community Mental Health Authority's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Community Mental Health Authority, 1011 Military Street, Port Huron, MI 48060-5416.

SUBMITTED BY:

  
Carole M. Cunningham, CPA  
Fiscal Director

3-12-07  
Date

  
Dennis R. Grimski  
Chief Operating Officer, Thumb Alliance PIHP  
Associate Director-Administration, SCCCMHA

3-12-07  
Date

## **BASIC FINANCIAL STATEMENTS**

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## BALANCE SHEET/STATEMENT OF NET ASSETS

**SEPTEMBER 30, 2006**

	Governmental Activities	Internal Service	Adjustments Note 2	Statement of Net Assets
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,068,663	\$ -	\$ -	\$ 6,068,663
Investments	4,289,153	-	-	4,289,153
Accounts receivable (net of allowances)	267,162	-	-	267,162
Due from other governmental units (net of allowances)	1,184,327	-	-	1,184,327
Due from other funds	-	58,464	( 58,464)	-
Prepaid expenditures	337,588	-	-	337,588
Advance from other funds	1,577,058	-	( 1,577,058)	-
Restricted Assets -				
Cash - Accrued vacation and sick	67,287	-	-	67,287
- Risk Corridor Financing	-	273,659	-	273,659
Investments - Accrued vacation and sick	1,325,523	-	-	1,325,523
- Risk Corridor Financing	-	4,477,536	-	4,477,536
Capital Assets, net of depreciation				
Assets not being depreciated	-	238,551	20,000	258,551
Assets being depreciated	-	1,307,564	1,007,040	2,314,604
Total Assets	<u>15,116,761</u>	<u>6,355,774</u>	<u>( 608,482)</u>	<u>20,864,053</u>
<b>LIABILITIES</b>				
Accounts Payable	2,092,747	-	-	2,092,747
Accrued payroll and payroll taxes	627,971	-	-	627,971
Due to other governmental units	2,502,623	-	-	2,502,623
Due to other funds	58,464	-	( 58,464)	-
Deferred revenue	4,266,625	-	-	4,266,625
Non-current liabilities				
Advance to (from) other funds	-	1,577,058	( 1,577,058)	-
Accrued vacation and sick	-	-	1,392,810	1,392,810
Total Liabilities	<u>9,548,430</u>	<u>1,577,058</u>	<u>( 242,712)</u>	<u>10,882,776</u>
<b>FUND BALANCE</b>				
Reserved -				
Advance to other funds	1,577,058	-	( 1,577,058)	-
Prepaid expenditures	337,588	-	( 337,588)	-
Accrued vacation and sick	1,392,810	-	( 1,392,810)	-
Unreserved -				
Designated - Managed Care	800,000	-	( 800,000)	-
- Contingencies	500,000	-	( 500,000)	-
Undesignated	960,875	-	( 960,875)	-
Total Fund Balance	<u>5,568,331</u>	<u>-</u>	<u>( 5,568,331)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15,116,761</u>			
<b>NET ASSETS</b>				
Invested in capital assets		( 30,943)	2,604,098	2,573,155
Restricted		4,751,195	-	4,751,195
Unrestricted		58,464	2,598,463	2,656,927
Total Net Assets		<u>\$ 4,778,716</u>	<u>\$ 5,202,561</u>	<u>\$ 9,981,277</u>

See Notes to

Financial Statements

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Governmental Activities</u>	<u>Internal Service</u>	<u>Adjustments Note 2</u>	<u>Statement of Activities</u>
<b>Revenues:</b>				
Intergovernmental -				
Federal/State	\$ 68,133,389	273,659	\$ -	\$ 68,407,048
Local	1,354,918	-	-	1,354,918
Charges for services	769,560	-	-	769,560
Interest and rents	555,205	351,626	( 214,113)	692,718
Other revenue	39,684	-	-	39,684
	<u>70,852,756</u>	<u>625,285</u>	<u>( 214,113)</u>	<u>71,263,928</u>
<b>Expenditures/Expenses:</b>				
Developmental Disability Programs	5,920,000	-	( 79,596)	5,840,404
Mental Illness Programs	8,365,338	-	50,065	8,415,403
Administration and Support Services	4,454,917	11,609	( 147,896)	4,318,630
Grants	289,085	-	( 6,447)	282,638
PIHP	32,974,550	-	( 51,363)	32,923,187
State Institutions	1,342,931	-	-	1,342,931
Contract Agencies	6,905,847	-	-	6,905,847
Residential Homes	10,901,477	-	( 144,004)	10,757,473
Interest Expense	-	70,109	( 70,109)	-
Depreciation	-	48,735	327,304	376,039
	<u>71,154,145</u>	<u>130,453</u>	<u>( 122,046)</u>	<u>71,162,552</u>
Revenues over (under) expenditures	<u>( 301,389)</u>	<u>494,832</u>	<u>( 92,067)</u>	<u>101,376</u>
<b>Other Financing Sources (Uses):</b>				
County appropriation	955,672	-	-	955,672
Transfers in	57,408	-	-	57,408
Transfers out	-	( 57,408)	-	( 57,408)
	<u>1,013,080</u>	<u>( 57,408)</u>	<u>-</u>	<u>955,672</u>
Net Change in Fund Balance/Net Assets	<u>711,691</u>	<u>437,424</u>	<u>( 92,067)</u>	<u>1,057,048</u>
Fund Balance/Net Assets at beginning of fiscal year	4,909,640	4,288,292	( 273,703)	8,924,229
Prior Period Adjustment	<u>( 53,000)</u>	<u>53,000</u>	<u>-</u>	<u>-</u>
Fund Balance at beginning of fiscal year as restated	<u>4,856,640</u>	<u>4,341,292</u>	<u>( 273,703)</u>	<u>8,924,229</u>
Fund Balance/Net Assets at end of fiscal year	<u><u>\$ 5,568,331</u></u>	<u><u>\$ 4,778,716</u></u>	<u><u>\$( 365,770)</u></u>	<u><u>\$ 9,981,277</u></u>

See Notes to  
Financial Statements

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS STATEMENT OF CASH FLOW FOR THE YEAR ENDED SEPTEMBER 30, 2006

### Cash Flows From Operating Activities:

Cash receipts from state	\$ 273,659
Cash receipts from interfund services	105,878
Cash payments to employees/suppliers	( 11,609)
Net Cash Provided by Operating Activities	<u>367,928</u>

### Cash Flows From Noncapital Financing Activities:

Transfers to other funds	<u>( 57,408)</u>
--------------------------	------------------

### Cash Flows From Capital and Related Financing Activities:

Advances from other funds	177,840
Interest payments	( 70,109)
Acquisition and construction of capital assets	<u>( 202,000)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>( 94,269)</u>

### Cash Flows From Investing Activities

Purchase of investments	( 4,477,536)
Interest Earned	<u>207,622</u>
Net Cash Used by Investing Activities	<u>( 4,269,914)</u>

### Net Increase (Decrease) in Cash and Cash

Equivalents for the year	( 4,053,663)
--------------------------	--------------

### Cash and Cash Equivalents at Beginning of Year

4,327,322

### Cash and Cash Equivalents at End of Year

\$ 273,659

### Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 357,319
Adjustments to reconcile operating income to net cash provided by operating activities-	
Depreciation	48,735
Changes in assets and liabilities:	
Due from other funds	<u>( 38,126)</u>

### Net Cash Provided By Operating Activities

\$ 367,928

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Intergovernmental -			
Federal/State	\$ 66,420,849	\$ 72,814,320	\$ 68,133,389
Local	806,707	786,998	1,354,918
Charges for services	525,915	678,853	769,560
Interest and rents	190,000	400,000	555,205
Other revenue	<u>26,157</u>	<u>29,355</u>	<u>39,684</u>
	<u>67,969,628</u>	<u>74,709,526</u>	<u>70,852,756</u>
<b>Expenditures:</b>			
Developmental Disability Programs	5,729,133	5,859,967	5,920,000
Mental Illness Programs	9,032,814	8,479,327	8,365,338
Administration and Support Services	4,822,322	4,800,437	4,454,917
Grants	475,943	480,177	289,085
PIHP	28,296,114	32,807,922	32,974,550
Institutional Care	1,495,753	1,377,808	1,342,931
Contract Agencies	6,524,489	6,952,569	6,905,847
Residential Homes	<u>10,217,118</u>	<u>10,917,120</u>	<u>10,901,477</u>
	<u>66,593,686</u>	<u>71,675,327</u>	<u>71,154,145</u>
Revenues over (under) expenditures	<u>1,375,942</u>	<u>3,034,199</u>	<u>( 301,389)</u>
<b>Other Financing Sources:</b>			
County appropriation	955,672	955,672	955,672
Transfers from other funds	<u>-</u>	<u>-</u>	<u>57,408</u>
	<u>955,672</u>	<u>955,672</u>	<u>1,013,080</u>
Net Change in Fund Balances	<u><u>\$ 2,331,614</u></u>	<u><u>\$ 3,989,871</u></u>	<u><u>\$ 711,691</u></u>

See Notes to  
Financial Statements



**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
SEPTEMBER 30, 2006**

**ASSETS:**

Cash and cash equivalents	\$ 701,061
---------------------------	------------

**NET ASSETS:**

Reserved for employees' health care	\$ 701,061
-------------------------------------	------------

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**Additions:**

Employer contributions	\$ 31,031
Interest income	52,714
	<u>83,745</u>

**Deductions:**

-
---

Net increase	83,745
--------------	--------

Net assets held in trust for health insurance -

Beginning of year	<u>617,316</u>
-------------------	----------------

End of year	<u>\$ 701,061</u>
-------------	-------------------

See Notes to  
Financial Statements

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the St. Clair County Community Mental Health Authority conform in all material respects to U.S. generally accepted accounting principles as applied to governmental entities and the Uniform Accounting Manual for County Mental Health Boards as prescribed by the State of Michigan. The following Notes to the Financial Statements are an integral part of the Authority's financial statements.

#### A. Reporting Entity –

The St. Clair County Community Mental Health Services Board, a component unit of St. Clair County, provides mental health services to residents of St. Clair County and is the Prepaid Inpatient Health Plan for the three County regions comprised of St. Clair, Lapeer and Sanilac counties. The Board was originally established in 1965 under the provision of Act 54 PA 1963, as amended, and on January 1, 2000 adopted authority status under Public Act 290 of the Public Acts of 1995. The Board assumed the responsibilities as the Prepaid Inpatient Health Plan (PIHP) for the Thumb Region as of October 1, 2002.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund (modified accrual) statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Charges for services, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues of the current fiscal period.

The Authority's operating activities are all reported in the General Fund. It is used to account for all activities except those required to be accounted for in another fund.

Additionally, the Authority reports the following fund types:

**Internal Services Funds** – are used to account for and finance potential uninsured risk of loss related to managed care, and the purchase and operations of residential homes.

**Pension Trust and Other Employee Trust Funds** – is used to accumulate resources for the payment of post-retirement benefits for employees not covered under the St. Clair County system.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary Funds (Internal Service Funds) distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charged to other funds for services provided. All revenues and expenses not meeting this definition are reported as non-operating revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then the unrestricted resources as needed.

#### C. Assets, Liabilities, and Net Assets or Equity –

**Cash and Cash Equivalents** – The Authority's cash and cash equivalents are cash on hand, demand deposits, certificates of deposits and mutual funds with original maturities of three months or less from the date of acquisition.

**Receivables** – All receivables are shown net of allowances for uncollectible amounts.

**Prepaid Items** – Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expenditures.

**Restricted Assets** – The Michigan Department of Community Health (DCH) provides funding for accrued vacation and sick time as it is earned, regardless of when paid, however requires the amounts to be maintained in separate bank accounts. In addition DCH allows mental health organizations to establish a separate account to cover the risk exposure under the Managed Care Specialty Services Program.

**Capital Assets** – Are reported in the government-wide statements. Capital assets are defined by the Authority as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building	40
Building Improvements	5-20
Equipment	4-7

**Accrued Vacation and Sick Pay** – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. All amounts vested are accrued in the government-wide statements. A liability for these amounts is only reported in the fund (modified accrual) statements if they have matured, for example, as a result of employee resignations and/or retirement.

**Deferred Revenues** – In both the government-wide statements and in the fund (modified accrual) financial statements revenues received or recorded before it is earned is recorded as deferred revenue. In addition in the fund (modified accrual) statements, revenues that are not both measurable and available are recorded as deferred revenues.

**Fund Equity** – The fund (modified accrual) statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

**Estimates** – In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Programs** – The Authority has not integrated its Single Audit Report and Schedule of Expenditures of Federal Awards as part of the annual financial report. The Single Audit will be issued prior to June 30, 2007, under a separate cover as supplementary information.

### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A. Explanation of differences between the fund (modified accrual) balance sheet and the government-wide statements of net assets (Page 9).

Fund Balance	\$ 5,568,331
--------------	--------------

Capital assets used in the modified accrued activities which are not financial resources and therefore are not reported in the fund statements

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS - (cont'd):**

Add – capital assets	2,701,589
Deduct – accumulated depreciation	( 1,674,549)
Internal service funds used by management to record risk corridor financing and the purchasing of various buildings. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.	4,778,716
Long-term accrued vacation and sick time that are not due in the current period, therefore, not reported in the fund (modified accrual) activities	( <u>1,392,810</u> )
Net Assets	<u>\$ 9,981,277</u>

- B.** Explanation of differences between the fund (modified accrual) statement of revenues, expenditures and changes in fund balance and the government-wide statement of net activities (Page 10).

Net changes in fund balance – modified accrual	\$ 711,691
The fund (modified accrual) statements report capital outlay as expenditures. However, in the Statement of Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add – capital outlay	396,157
Deduct – depreciation	( 327,304)
Loss on disposal of assets	( 32,704)
Internal service funds used by management to record risk corridor financing and the purchase and rent of various buildings. The net revenues (expenses) attributable to those funds is reportable with governmental activities	437,424
Accrued vacation and sick time expenses not reported in the fund (modified accrual) statement because they will not be paid with current financial resources	( <u>128,216</u> )
Change in Net Assets	<u>\$ 1,057,048</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 3 - DEPOSITS AND INVESTMENTS:

As of September 30, 2006, the Authority's deposits and investments are as follows:

	<u>Primary Government</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Petty Cash	\$ 2,750	\$ -	\$ 2,750
Deposits -			
Deposits with Financial Institutions -			
Checking/Savings	2,364,109	31,035	2,395,144
Certificates of Deposit	14,134,962	-	14,134,962
Investments -			
Mutual Fund	<u>-</u>	<u>670,026</u>	<u>670,026</u>
	<u>\$ 16,501,821</u>	<u>\$ 701,061</u>	<u>\$ 17,202,882</u>
Reconciliation To Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 2,750	\$ -	\$ 2,750
Deposits with Financial Institutions	6,406,859	31,035	6,437,894
Mutual Funds	<u>-</u>	<u>670,026</u>	<u>670,026</u>
Total Cash and Cash Equivalents	<u>6,409,609</u>	<u>701,061</u>	<u>7,110,670</u>
Reported as Investments -			
Deposits with Financial Institutions	<u>10,092,212</u>	<u>-</u>	<u>10,092,212</u>
Grand Total - Combined Balance Sheet	<u>\$ 16,501,821</u>	<u>\$ 701,061</u>	<u>\$ 17,202,882</u>

The primary objectives, in priority order of the St. Clair County Community Mental Health Authority's investment activities are safety, diversification, liquidity and return on investment.

#### Deposits –

The Authority's investment policy and Act 217 PA 1982, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

***Custodial Credit Risk - Deposits*** – is the risk that in the event of a bank failure, the Authority's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Authority, as of September 30, 2006, the bank balance of the Authority's deposits was \$17,348,056, of which \$200,000 was FDIC insured with the remaining balance of \$17,148,056 uninsured and uncollateralized.

#### **Investments –**

The only investments maintained by the Authority are mutual funds in the Employee Benefit Trust Funds. The portfolio consisted of the following at September 30, 2006:

	<u>Market Value</u>	<u>Rating</u>	<u>Average Weighted Maturity</u>	<u>Fund Type</u>
SEI Investment Trust	\$ 2,910	AAA	15 days	Money Market
Harbor Bond Fund	126,473	AA	6.50 years	Fixed Income
Dodge & Cox Income Fund	135,546	AA	6.20 years	Fixed Income
Davis Selected American Class D	167,741	N/A	N/A	Large Cap Equities
Keely Small Cap Value Fund	47,357	N/A	N/A	Small Cap Equities
Third Avenue Real Estate Fund	23,051	N/A	N/A	Real Estate
Legg Mason Value Trust	<u>166,948</u>	N/A	N/A	Large Cap Equities
	<u>\$ 670,026</u>			

***Custodial Credit Risk*** – is the risk that in the event of a failure of the counterparty, the Authority may not be able to recover the value of its investments that are in the possession of another party. The Authority does not have a policy regarding custodial credit risk.

***Interest Rate Risk*** – is the risk that the market value of securities in the Authority's portfolio will fall due to changes in market increases. The Authority's policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles taking into account the investment risk constraints and the cash flow of the portfolio.

***Credit Risk*** – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State law and the Authority's investment policy limits the types of investments that can be purchased.

***Concentration of Credit Risk*** – is the risk of loss attributed to the magnitude of the Authority's investments in a single issuer. The Authority's policy specifies that investments be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 4 - RECEIVABLES:

Receivables as of September 30, 2006 are as follows:

Accounts Receivable –	
Fees	\$ 314,461
Contract Agencies	66,356
Other	<u>3,345</u>
	384,162
Allowance for Doubtful Accounts	<u>( 117,000)</u>
	<u>267,162</u>
Intergovernmental –	
Federal/State	264,918
Local	<u>926,409</u>
	1,191,327
Allowance for Doubtful Accounts	<u>( 7,000)</u>
	<u>1,184,327</u>
	<u>\$ 1,451,489</u>

The fund (modified accrual) statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and the fund (modified accrual) statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year, the various components of deferred revenue were as follows:

	<u>Unearned</u>
Grants	\$ 15,926
Medicaid Savings	<u>4,250,699</u>
	<u>\$ 4,266,625</u>

### NOTE 5 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 206,551	\$ 50,000	\$ -	\$ 256,551
Construction in Progress	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	<u>206,551</u>	<u>52,000</u>	<u>-</u>	<u>258,551</u>
Capital assets being depreciated –				
Building	1,360,280	149,999	-	1,510,279
Leasehold improvements	365,403	-	-	365,403
Equipment	<u>2,186,776</u>	<u>396,158</u>	<u>408,662</u>	<u>2,174,272</u>
	<u>3,912,459</u>	<u>546,157</u>	<u>408,662</u>	<u>4,049,954</u>



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 5 - CAPITAL ASSETS - (cont'd):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for –				
Building	\$ 46,809	\$ 55,492	\$ -	\$ 102,301
Leasehold improvements	194,414	29,650	-	224,064
Equipment	<u>1,494,046</u>	<u>290,897</u>	<u>375,958</u>	<u>1,408,985</u>
	<u>1,735,269</u>	<u>376,039</u>	<u>375,958</u>	<u>1,735,350</u>
Net capital assets being depreciated	<u>2,177,190</u>	<u>170,118</u>	<u>32,704</u>	<u>2,314,604</u>
Total capital assets net of depreciation	<u>\$ 2,383,741</u>	<u>\$ 222,118</u>	<u>\$ 32,704</u>	<u>\$ 2,573,155</u>

### NOTE 6 - PAYABLES:

Payables at September 30, 2006 are as follows:

Payables –	
Accounts	\$ 145,553
Contract Agencies	568,982
Group/Foster Care Homes	918,003
Community Inpatient	<u>460,209</u>
	<u>2,092,747</u>
Accrued Payroll and Taxes –	
Wages and taxes	<u>627,971</u>
Intergovernmental –	
Federal/State	2,256,031
Local	<u>246,592</u>
	<u>2,502,623</u>
	<u>\$ 5,223,341</u>

### NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

#### Due From/To Other Fund –

As of September 30, 2006, the General Fund owed \$58,464 to the internal service fund for the difference between the rent charged the General Fund and the annual repayment of advances between funds.

#### Advances From/To Other Fund –

As of September 30, 2006, the Internal Service Fund owed the General Fund \$1,577,058, plus interest to repay the advance amount for the purchase/construction of various residential facilities.

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006

### NOTE 8 - LONG-TERM DEBT:

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2006 the vested benefits were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued Vacation and Sick	<u>\$ 1,264,594</u>	<u>\$ 128,216</u>	<u>\$ -</u>	<u>\$ 1,392,810</u>	<u>\$ -</u>

### NOTE 9 - RETIREMENT SYSTEM:

Full-time employees, except for contract management personnel, of the St. Clair County Mental Health Authority, are covered under the St. Clair County Employees Retirement System. The plan is a single employer defined benefit pension plan, which was established by County ordinance in 1964 and is administered, managed and operated by St. Clair County. As of December 31, 2005, the St. Clair County Retirement System, which covers substantially all employees of the County, total actuarial accrued liability and actuarial value of assets amounted to \$159,090,379 and \$153,016,205, respectively. The actuarial valuation of the plan, dated December 31, 2004, determined a contribution rate for calendar 2006 of 9.50% of covered payroll. Employees are required to contribute 5% of covered payroll.

Detailed information, including GASB Statement No. 25 and 27 information, concerning the St. Clair County Retirement System is presented in its publicly available December 31, 2006 actuarial valuation report and in the St. Clair County December 31, 2006 annual financial statements, (which will be issued later this year).

### NOTE 10 - POST-EMPLOYMENT BENEFITS:

In addition to the basic retirement benefits in Note 9, the St. Clair County Retirement System provided health insurance benefits to retirees with a required number of years service, except contract management personnel. An actuarial report is obtained for the post-retirement benefit on an annual basis to assess that progress is being made to fund these benefits, however funding is only provided if funds are available. As of December 31, 2005, the total accrued liabilities and valuation assets amounted to \$122,105,333 and \$37,605,130, respectively. For the year ended December 31, 2005, the County made contributions representing 3.50% of covered payroll. The actuarial valuation of the plan, dated December 31, 2004, determined a contribution rate for calendar 2006 of 17.84% of covered payroll.

The Authority has also provided health insurance benefits to the management personnel not covered by the St. Clair County Retirement System. To be eligible, the employee must have a certain number of years of service based on their contract and be at least 55 years of age. The Authority has elected to fund these benefits on an actuarial basis. The plan currently covers six (6) active members. The latest actuarial report was completed as of December 31, 2005 and indicated that there was an unfunded liability of \$14,664. The Authority elected to fund all past service costs in fiscal 2006. For the year ended September 30, 2006, the Authority's pension cost for this group of employees was \$31,031, which includes the \$14,664 unfunded or 3.20% of covered payroll, which was equal to the Authority's contribution.

# **ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006**

### **NOTE 11 - DEFERRED COMPENSATION:**

The Authority offers all its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Authority's financial statements.

### **NOTE 12 - LEASES:**

The Authority has entered into certain operating leasing agreements for facilities. At September 30, 2006, these leases contain provisions whereby if various funding sources are not available they are cancelable.

The total of rent expenditures for the fiscal year ended September 30, 2006, is \$381,242.

### **NOTE 13 - STATE OF MICHIGAN SETTLEMENT:**

As is common for Mental Health Authorities, the St. Clair County Community Mental Health Authority receives a significant portion of its revenues through its full management contract with the State of Michigan Department of Community Health, with a settlement reached at the end of each fiscal year. The settlement is based on accumulated reimbursable cost of the Authority and is subject to final audit by the Department of Community Health. For 2006 and 2005, St. Clair County Community Mental Health Authority owed the Michigan Department of Community Health \$1,083,235 and \$1,418,240, respectively.

### **NOTE 14 - INSURANCE/RISK MANAGEMENT:**

#### **General Liability -**

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund which provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

# **ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2006**

### **NOTE 14 - INSURANCE/RISK MANAGEMENT - (cont'd):**

State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$3,300,000 for property and crime. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses are the sole obligation of the St. Clair County Community Mental Health Authority.

#### **Workers Compensation -**

The Authority purchases workers compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

### **NOTE 15 - CONTRACTED TRANSPORTATION SERVICES:**

The Authority entered into an agreement with the Blue Water Area Transportation Commission to provide transportation services for the Authority's clientele. Under the agreement the St. Clair County Community Mental Health Authority was to undertake, carry out, and complete the transportation services. In addition, the agreement specified that the Authority is to pay all costs of said services and shall be reimbursed approximately 39.25% of the Eligible Operation Expenses for fiscal 2006 and, if applicable, an additional 17.0% of Eligible Nonurban costs. The final percentage of reimbursement is based on the funding the Blue Water Area Transportation Commission receives from the Michigan Department of Transportation.

For the fiscal year 2006, the Authority incurred \$807,637 of eligible expenses, which resulted in estimated revenue of \$418,581.

### **NOTE 16 - PRIOR PERIOD ADJUSTMENT:**

A prior period adjustment of \$53,000 was made to increase the Internal Service Fund net asset and decrease the General Fund fund balance to reflect the revised settlement with the Department of Community Health for fiscal 2005.

### **NOTE 17 - SUBSEQUENT EVENT:**

The Authority is in the process of purchasing/constructing a new mental health facility with an estimated cost of approximately 10.5 million dollars. The project will be funded through bonds issued by St. Clair County, with the Authority agreeing to lease the facility for the term of the bonds, at which time title to the facility will revert to the Authority. Annual lease payments will equal the debt retirement on the bonds, plus any additional costs incurred by the County.

## **SUPPLEMENTARY FINANCIAL DATA**

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE

SEPTEMBER 30, 2006

	St. Clair CMH Operations	PIHP	Eliminations	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,793,833	\$ 3,274,830	\$ -	\$ 6,068,663
Investments	1,974,598	2,314,555	-	4,289,153
Accounts receivable (net of allowances) -				
Fees	197,461	-	-	197,461
Contract Agencies	66,356	-	-	66,356
Other	3,345	-	-	3,345
Due from other governmental units (net of allowances) -				
Federal/State	113,601	151,317	-	264,918
Local	320,902	598,507	-	919,409
Due from other funds	-	144,440	( 144,440)	-
Prepaid expenditures	337,588	-	-	337,588
Advance to other funds	1,577,058	-	-	1,577,058
Restricted Assets -				
Cash - Accrued vacation and sick	54,345	12,942		67,287
Investments - Accrued vacation and sick	1,063,362	262,161	-	1,325,523
Total Assets	<u>\$ 8,502,449</u>	<u>\$ 6,758,752</u>	<u>\$( 144,440)</u>	<u>\$ 15,116,761</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Payables -				
Accounts	\$ 129,112	\$ 16,441	\$ -	\$ 145,553
Contract Agencies	503,080	65,902	-	568,982
Group/Foster Care Homes	918,003	-	-	918,003
Community Inpatient	460,209	-	-	460,209
Accrued payroll and payroll taxes	529,155	98,816	-	627,971
Due to other governmental units -				
State -				
Institutional Care	204,240	-	-	204,240
Other	-	2,051,791	-	2,051,791
Local	246,592	-	-	246,592
Due to other funds	202,904	-	( 144,440)	58,464
Deferred revenue	15,926	4,250,699	-	4,266,625
Total Liabilities	<u>3,209,221</u>	<u>6,483,649</u>	<u>( 144,440)</u>	<u>9,548,430</u>
<b>Fund Equity:</b>				
Reserved -				
Advance to other funds	1,577,058	-	-	1,577,058
Prepaid expenditures	337,588	-	-	337,588
Accrued vacation and sick time	1,117,707	275,103	-	1,392,810
Unreserved -				
Designated - Managed Care	800,000	-	-	800,000
- Contingencies	500,000	-	-	500,000
Undesignated	960,875	-	-	960,875
Total Fund Equity	<u>5,293,228</u>	<u>275,103</u>	<u>-</u>	<u>5,568,331</u>
Total Liabilities and Fund Equity	<u>\$ 8,502,449</u>	<u>\$ 6,758,752</u>	<u>\$( 144,440)</u>	<u>\$ 15,116,761</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	St. Clair CMH Operations	PIHP	Eliminations	Total
<b>Revenues:</b>				
Intergovernmental -				
Federal/State	\$ 36,020,201	\$ 62,128,266	\$( 30,015,078)	\$ 68,133,389
Local	738,824	1,275,375	( 659,281)	1,354,918
Charges for services	769,560	-	-	769,560
Interest and rents	543,154	12,051	-	555,205
Other revenue	39,684	-	-	39,684
	<u>38,111,423</u>	<u>63,415,692</u>	<u>( 30,674,359)</u>	<u>70,852,756</u>
<b>Expenditures:</b>				
<b>Developmental Disability Programs -</b>				
Family Support Services	1,026,003	-	-	1,026,003
Family Support Home Based Services	305,319	-	-	305,319
Support Services	2,065,931	-	-	2,065,931
Marine City Support Service	335,518	-	-	335,518
Children's Waiver Services	62,078	-	-	62,078
OBRA PASARR	20,753	-	-	20,753
OBRA Active/ Less than				
Active Treatment	18,479	-	-	18,479
Early On Program	219,279	-	-	219,279
Family Support Respite Care	359,944	-	-	359,944
Community Integration Services	664,995	-	-	664,995
Transportation	841,701	-	-	841,701
	<u>5,920,000</u>	<u>-</u>	<u>-</u>	<u>5,920,000</u>
<b>Mental Illness Programs -</b>				
Jail Rehabilitation Services	87,939	-	-	87,939
Port Huron Counseling Center	1,361,784	-	-	1,361,784
Western Area Outpatient	467,237	-	-	467,237
River District Counseling Center	559,748	-	-	559,748
Children's Home Based Services	412,873	-	-	412,873
OBRA Active/Less than Active Services	85,335	-	-	85,335
OBRA PASARR	98,519	-	-	98,519
Lakeshore Adult Day Treatment	636,408	-	-	636,408
Assertive Community Treatment	540,622	-	-	540,622
MIC Daytreatment/Nightwatch	220,033	-	-	220,033
MIC Clinical Case Management Services	814,484	-	-	814,484
Childcare Expulsion Prevention	27,651	-	-	27,651
Physician Services	662,483	-	-	662,483
Community Inpatient Facilities	1,571,729	-	-	1,571,729
Medications-Injectibles	230,317	-	-	230,317
Adult Support Services	135,841	-	-	135,841
On-Call	178,587	-	-	178,587
Placement and Facility Liaison	164,374	-	-	164,374
Transportation	109,374	-	-	109,374
	<u>8,365,338</u>	<u>-</u>	<u>-</u>	<u>8,365,338</u>

Continued

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## GENERAL FUND

### COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	St. Clair CMH Operation	PIHP	Eliminations	Total
<b>Other -</b>				
Administration and Support Services -				
General	\$ 3,666,803	\$ -	\$ -	\$ 3,666,803
Drawdown match	659,281	-	-	659,281
Community Services Coordinating Body	128,833	-	-	128,833
Grants -				
Anti Stigma Block Grant	26,832	-	-	26,832
Jail Diversion Clinician	63,570	-	-	63,570
Path Grant	49,560	-	-	49,560
CSP Juvenile Justice	84,812	-	-	84,812
Project Stay Block Grant	2,413	-	-	2,413
Recovery Training Grant	28,476	-	-	28,476
Community Foundation Car Seats	3,062	-	-	3,062
Homeless Peer Support Block Grant	12,434	-	-	12,434
Other Grants	17,926	-	-	17,926
<b>PIHP -</b>				
Administration	-	3,304,655	( 659,281)	2,645,374
QAAP Tax	-	3,796,422	-	3,796,422
Behavior Health Resources	-	105,867	-	105,867
Access	-	1,114,220	-	1,114,220
Substance Abuse	-	574,287	-	574,287
Evidence Based Practice SAMSHA Grant	-	151,635	-	151,635
Town and Country Theatre SAMSHA Grant	-	33,104	-	33,104
Rural Murals Anti-Stigma Grant	-	25,522	-	25,522
Medicaid Pass-Through	-	54,543,197	( 30,015,078)	24,528,119
<b>Institutional Care</b>	1,342,931	-	-	1,342,931
<b>Contract Agencies</b>	6,905,847	-	-	6,905,847
<b>Residential Homes</b>	10,901,477	-	-	10,901,477
	<u>23,894,257</u>	<u>63,648,909</u>	<u>( 30,674,359)</u>	<u>56,868,807</u>
Total Expenditures	<u>38,179,595</u>	<u>63,648,909</u>	<u>( 30,674,359)</u>	<u>71,154,145</u>
Revenues over (under) expenditures	<u>( 68,172)</u>	<u>( 233,217)</u>	<u>-</u>	<u>( 301,389)</u>
<b>Other Financing Sources (Uses):</b>				
County appropriation	955,672	-	-	955,672
Transfer in	57,408	258,208	( 258,208)	57,408
Transfers out	<u>( 258,208)</u>	<u>-</u>	<u>258,208</u>	<u>-</u>
	<u>754,872</u>	<u>258,208</u>	<u>-</u>	<u>1,013,080</u>
Net Change in Fund Balance	<u>686,700</u>	<u>24,991</u>	<u>-</u>	<u>711,691</u>
Fund Balance at beginning of fiscal year	4,659,528	250,112	-	4,909,640
Prior Period Adjustment	<u>( 53,000)</u>	<u>-</u>	<u>-</u>	<u>( 53,000)</u>
Fund Balance at beginning of fiscal year as restated	<u>4,606,528</u>	<u>250,112</u>	<u>-</u>	<u>4,856,640</u>
Fund Balance at end of fiscal year	<u>\$ 5,293,228</u>	<u>\$ 275,103</u>	<u>\$ -</u>	<u>\$ 5,568,331</u>



# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF ST. CLAIR CMH REVENUES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
<b>Intergovernmental:</b>		
Federal/State -		
Department of Community Health	\$ 4,778,244	\$ 4,970,909
Adult Benefit Waiver	629,163	620,452
Title XX replacement	32,800	32,800
MI Child	26,268	25,775
Managed Care Capitated Payments	30,015,078	27,593,282
SAMSHA Grants	103,313	131,057
DHS -Strong Families Grant	-	155,995
Highway Safety	-	5,500
Juvenile Justice	50,000	58,334
CSCB Dues/Administration	5,800	7,600
SSI	-	5,216
OBRA	168,836	162,681
ISD Early On Grant	131,568	125,670
Path Homeless Grant	45,000	40,750
Other grants & reimbursements	34,131	10,981
	<u>36,020,201</u>	<u>33,947,002</u>
Local -		
Other County Reimbursement Contracts	212,565	307,527
Blue Water Area Transportation Revenue	418,581	356,273
Jail Coordinator Funding	13,520	52,225
EOC Head Start	-	24,000
Day Treatment/Night Watch	59,507	59,507
Reimbursements	34,651	23,093
	<u>738,824</u>	<u>822,625</u>
	<u>36,759,025</u>	<u>34,769,627</u>
<b>Charges for Services:</b>		
Fees -		
Medicaid	144,458	76,819
Medicare	361,016	248,037
Private pay	162,184	108,290
Blue Cross	46,154	45,559
Other Substance Abuse	7,958	17,840
Other insurance companies	47,790	32,356
	<u>769,560</u>	<u>528,901</u>
<b>Interest and Rents:</b>		
Interest	<u>543,154</u>	<u>251,368</u>
<b>Other Revenue:</b>		
Match money	27,164	23,802
Community Foundation	3,062	2,105
Miscellaneous	9,458	52,687
	<u>39,684</u>	<u>78,594</u>
Total Revenues	<u>\$ 38,111,423</u>	<u>\$ 35,628,490</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF DEVELOPMENTAL DISABILITY PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
<b>Family Support Services -</b>		
Case Management	\$ 773,330	\$ 788,739
Family Skill Development	45,469	47,902
Community Living Support	-	1,118
Enhanced Health Care	136,105	130,449
Occupational Therapy	47,774	55,020
Health Services	23,325	23,985
	<u>1,026,003</u>	<u>1,047,213</u>
<b>Family Support Home Based Services -</b>		
Home Based Services	305,319	238,846
Community Living Support	-	1,959
	<u>305,319</u>	<u>240,805</u>
<b>Support Services -</b>		
Mental Health Clinic		
Occupational Therapy	303,446	358,150
Health	176,837	162,760
Case Management	1,250,365	1,117,588
Enhanced Health Care	335,283	487,308
	<u>2,065,931</u>	<u>2,125,806</u>
<b>Marine City Support Services</b>		
Case Management	219,190	214,352
Enhance Health Care	64,829	32,911
Occupational Therapy	48,479	44,738
Health Services	3,020	2,028
	<u>335,518</u>	<u>294,029</u>
<b>Children's Waiver Services -</b>		
Case Management	40,374	47,045
Community Living Support	21,602	4,214
Occupational Therapy	102	-
	<u>62,078</u>	<u>51,259</u>
<b>OBRA PASARR -</b>		
Mental Health Clinic	<u>20,753</u>	<u>16,994</u>
<b>OBRA Active/Less than Active Treatment -</b>		
Mental Health Clinic	<u>18,479</u>	<u>26,111</u>
<b>Early On Program -</b>		
Case Management	<u>219,279</u>	<u>208,824</u>
<b>Family Support Respite Care -</b>		
Respite Services	<u>359,944</u>	<u>488,699</u>
<b>Community Integration Services -</b>		
Community Living Support	317,625	404,892
Skill Building Assistance	347,370	313,336
	<u>664,995</u>	<u>718,228</u>
<b>Transportation</b>	<u>841,701</u>	<u>631,541</u>
	<u>\$ 5,920,000</u>	<u>\$ 5,849,509</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
<b>Jail Rehabilitation Services -</b>		
Mental Health Clinic	\$ 87,939	\$ 140,748
<b>Port Huron Counseling Center -</b>		
Mental Health Clinic	546,715	584,554
Health	142,141	154,209
Case Management	509,044	501,459
Community Living Support	157,053	151,394
Peer Support	6,831	-
	<u>1,361,784</u>	<u>1,391,616</u>
<b>Western Area Outpatient -</b>		
Mental Health Clinic	177,038	173,087
Health	14,274	13,695
Case Management	196,638	188,986
Community Living Support	79,287	74,283
	<u>467,237</u>	<u>450,051</u>
<b>River District Counseling -</b>		
Mental Health Clinic	230,037	256,855
Health	54,450	69,060
Case Management	200,539	188,661
Community Living Support	74,722	70,617
	<u>559,748</u>	<u>585,193</u>
<b>Childrens' Home Based Services -</b>		
Mental Health Clinic	-	22,697
Home Based Services	412,873	600,185
	<u>412,873</u>	<u>622,882</u>
<b>OBRA Active/Less Than Active Services -</b>		
Mental Health Clinic	85,335	104,443
<b>OBRA PASARR -</b>		
Mental Health Clinic	98,519	113,729
<b>Lakeshore Adult Day Treatment -</b>		
Day Program	-	185,933
Peer Support	1,021	-
Mental Health Clinic	149,418	168,182
Health	77,594	78,086
Case Management	78,457	135,382
Community Living Support	189,341	126,690
Skill Building Assistance	140,577	-
	<u>636,408</u>	<u>694,273</u>
<b>Assertive Community Treatment -</b>		
Mental Health Clinic	-	30,239
Assertive Community Treatment	540,622	525,654
	<u>540,622</u>	<u>555,893</u>
<b>MIC Daytreatment/Nightwatch</b>		
Mental Health Clinic	112,274	54,481
Case Management	84,704	35,739
Family Skill Development	23,055	-
	<u>220,033</u>	<u>90,220</u>

Continued

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF MENTAL ILLNESS PROGRAM EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
<b>MIC Clinical Case Management Services -</b>		
Mental Health Clinic	\$ 507,094	\$ 505,451
Occupational Therapy	29,857	13,723
Health	37,579	33,847
Case Management	226,681	234,176
Family Skill Development	13,273	31,053
Respite	-	20,249
	<u>814,484</u>	<u>838,499</u>
<b>Childcare Expulsion Prevention</b>	<u>27,651</u>	<u>-</u>
<b>Physicians</b>	<u>662,483</u>	<u>-</u>
<b>Hopps Road - Direct Operated Transition Staff</b>	<u>-</u>	<u>88,779</u>
<b>Community Inpatient Facilities -</b>		
Port Huron Hospital -		
MIA Services	1,094,767	1,141,641
Harbor Oaks -		
MIA Services	187,891	215,445
SED Children	137,481	173,337
Other -		
MIA Services	92,713	69,739
SED Children	57,580	22,736
Psychiatric Consultations	1,297	1,599
	<u>1,571,729</u>	<u>1,624,497</u>
<b>Medications-Injectibles</b>	<u>230,317</u>	<u>158,621</u>
<b>Adult Support Services -</b>		
Mental Health Clinic	26,169	64,630
Occupational Therapy	18,579	14,923
Health	5,373	10,605
Case Management	85,720	81,080
	<u>135,841</u>	<u>171,238</u>
<b>On-Call</b>	<u>178,587</u>	<u>210,680</u>
<b>Placement and Facility</b>	<u>164,374</u>	<u>147,029</u>
<b>Head Start -</b>		
Prevention Services	<u>-</u>	<u>98,126</u>
<b>Transportation</b>	<u>109,374</u>	<u>40,311</u>
	<u><u>\$ 8,365,338</u></u>	<u><u>\$ 8,126,828</u></u>

Concluded

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF OTHER EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
<b>Administration and Support Services -</b>		
CMH Board	\$ 3,666,803	\$ 3,676,861
Drawdown match	659,281	659,281
Community Services Coordinating Body	128,833	131,031
	<u>\$ 4,454,917</u>	<u>\$ 4,467,173</u>
<b>Grants -</b>		
Anti Stigma Block Grant	\$ 26,832	\$ 49,757
Jail Diversion Clinician	63,570	-
Strong Families/Safe Children	-	138,609
Path Grant	49,560	46,711
Case Management Supports Block Grant	-	13,293
CSP Juvenile Justice	84,812	66,804
Safe St. Clair County	-	5,500
Project Stay Block Grant	2,413	57,844
Recovery Training Grant	28,476	-
Community Foundation Car Seats	3,062	2,105
Homeless Peer Support Block Grant	12,434	-
Other	17,926	2,947
	<u>\$ 289,085</u>	<u>\$ 383,570</u>
<b>Institutional Care:</b>		
Caro Regional Mental Health Center	\$ 509,269	\$ 557,440
Mount Pleasant Regional Center	500,629	471,560
Kalamazoo	185,420	38,916
County Institution Costs	147,613	147,165
	<u>\$ 1,342,931</u>	<u>\$ 1,215,081</u>
Total Institutional Care		

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## DETAILED SCHEDULE OF CONTRACT AGENCY EXPENDITURES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
Arc of St. Clair County -		
Work Activities Program	\$ 2,016,668	\$ 2,144,110
River District Adult Activities	428,568	473,022
Supported Employment	6,720	5,380
Living a Life in the Community	-	25,325
Consortium Agreement	14,850	14,850
Blue Water Center for Independent Living -		
Unit based fee for service	24,426	18,963
Blue Water Development Housing -		
Children's Waiver	33,372	9,335
Enhanced Home/Support Waiver	663,980	378,912
Living a Life in the Community	55,994	28,890
Home of My Own Support	65,904	2,720
Michigan Vocational Rehabilitation	50,000	46,802
Center for Human Resources	151,013	129,382
I.M.P.A.C.T. - Community Support		
Community Support	149,724	205,852
Supported Community Integrated Services	-	44,236
Living a Life in the Community	27,595	21,202
Innovative Housing Development Corporation -		
Community Living Supports	122,637	98,071
Home of My Own Support	17,288	-
Professional Counseling Center -		
Unit based fee for service	379,277	438,284
Home Based Services	724,432	697,551
Goodwill Industries	241,826	237,891
Individual Providers - H/SW	48,912	35,263
Probate Court - Public Guardian	39,329	38,370
Port of Hopes	145,497	119,489
Project Stay	62,638	-
Safe Horizons	11,736	27,392
Self Determination Fiscal Intermediaries	114,385	249,835
Horizon Residential Center	10,152	15,664
Touchstone -		
Psychosocial Rehabilitation	435,979	406,315
Rural Clubhouse	345,589	290,699
Tri-Hospital Ambulance	15,502	13,514
Visiting Nurses Association -		
Alzheimer's Program	85,379	88,675
Nor-Serv Group, Incorporated	178,870	158,972
MSU Extension-Building Strong Families	-	71,201
Out of County Services	237,605	72,127
Other	-	2,477
	<u>\$ 6,905,847</u>	<u>\$ 6,610,771</u>

**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY  
DETAILED SCHEDULE OF RESIDENTIAL HOMES EXPENDITURES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>Group Homes:</b>		
Blue Water Developmental Housing, Inc. -		
Children's Crisis Home	\$ 280,937	\$ 247,227
Strawberry Lane Home - Blue Water House	291,738	314,288
Springborn	319,626	296,908
Stoneybrook	396,678	361,872
Semi-Independent - Tenth Street	283,573	271,347
Eunice Hayes Home	411,492	374,732
Maple Street	398,033	381,790
Oakleaf	437,570	399,942
Thornhill	396,759	371,883
I.M.P.A.C.T. -		
Crawford	338,501	315,679
Meisner	327,930	306,251
Simpson	403,583	350,974
Vine	393,386	349,196
Frith Road	305,002	276,526
Allen Road	301,644	321,414
Range Road	473,506	429,553
Michigan Road Home	381,024	354,477
Innovative Housing Development Corporation -		
Lincoln	257,256	264,403
Roehl	350,129	295,982
Oak Street	277,215	270,506
Progression	308,765	289,256
Stone Creek	439,831	393,321
Abbotsford	445,566	395,117
Gibbons	320,701	295,072
Scott	288,770	250,536
Ponderosa	470,806	420,934
Mayfield	416,100	363,334
Ravenswood	323,111	309,869
	<u>10,039,232</u>	<u>9,272,389</u>
<b>Foster Homes</b>	<u>862,245</u>	<u>701,096</u>
 Total Residential Homes Expenditures	 <u><u>\$ 10,901,477</u></u>	 <u><u>\$ 9,973,485</u></u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## TRANSPORTATION EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 126,386	\$ -	\$ -	\$ 126,386
Other salaries and wages	23,966	-	36,909	60,875
Fringe benefits	44,610	-	30,366	74,976
Services -				
Audit costs	547	-	-	547
Other services	1,746	-	-	1,746
Materials and Supplies Consumed -				
Fuel and lubricants	27,097	-	-	27,097
Tires and tubes	-	2,236	-	2,236
Other materials and supplies	-	11,299	2,597	13,896
Utilities	2,859	-	1,860	4,719
Casualty and Liability Costs -				
Other Insurance	18,563	-	-	18,563
Purchased Transportation Costs	355,099	-	-	355,099
Miscellaneous Expenses -				
Travel and Meetings	41	-	-	41
Other miscellaneous expenses	3,600	-	42,010	45,610
Leases & Rentals	18,518	-	4,789	23,307
Depreciation	<u>52,539</u>	<u>-</u>	<u>-</u>	<u>52,539</u>
	675,571	13,535	118,531	807,637
Less: Ineligible expenses				
Other Ineligible Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$ 675,571</u>	<u>\$ 13,535</u>	<u>\$ 118,531</u>	<u>\$ 807,637</u>



**ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY**

**MILEAGE DATA (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Total Mileage</u>
Demand-Response	
1st. Quarter	37,223
2nd. Quarter	39,294
3rd. Quarter	48,304
4th. Quarter	<u>52,405</u>
	<u><u>177,226</u></u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS COMBINING SCHEDULE OF NET ASSETS SEPTEMBER 30, 2006

	Risk Corridor Financing		Building	
	St. Clair CMH	PIHP	Fund	Total
<b>ASSETS</b>				
Due from other funds	\$ -	\$ -	\$ 58,464	\$ 58,464
Restricted Assets -				
Cash and cash equivalents	-	273,659	-	273,659
Investments	-	4,477,536	-	4,477,536
Capital assets, net of depreciation				
Assets not being depreciated	-	-	238,551	238,551
Assets being depreciated	-	-	1,307,564	1,307,564
Total Assets	-	4,751,195	1,604,579	6,355,774
<b>LIABILITIES</b>				
Current Liabilities -				
Advance from other funds (current portion)	-	-	35,236	35,236
Long- Term Liabilities -				
Advance from other funds (net of current portion)	-	-	1,541,822	1,541,822
Total Liabilities	-	-	1,577,058	1,577,058
<b>NET ASSETS</b>				
Investment in capital assets	-	-	( 30,943)	( 30,943)
Restricted for Risk Corridor Financing	-	4,751,195	-	4,751,195
Unrestricted	-	-	58,464	58,464
Total Net Assets	\$ -	\$ 4,751,195	\$ 27,521	\$ 4,778,716

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS

### COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Risk Corridor Financing		Building	
	St. Clair CMH	PIHP	Fund	Total
<b>Operating Revenues:</b>				
Intergovernmental - State	\$ -	\$ 273,659	\$ -	\$ 273,659
Rent	-	-	144,004	144,004
	<u>-</u>	<u>273,659</u>	<u>144,004</u>	<u>417,663</u>
<b>Operating Expenses:</b>				
Other	-	-	11,609	11,609
Depreciation	-	-	48,735	48,735
	<u>-</u>	<u>-</u>	<u>60,344</u>	<u>60,344</u>
Operating Income (Loss)	<u>-</u>	<u>273,659</u>	<u>83,660</u>	<u>357,319</u>
<b>Non-Operating Income (Expenses)</b>				
Interest Revenues	4,408	203,214	-	207,622
Interest Expenses	-	-	( 70,109)	( 70,109)
	<u>4,408</u>	<u>203,214</u>	<u>( 70,109)</u>	<u>137,513</u>
Net Income (Loss) Before Transfers	4,408	476,873	13,551	494,832
<b>Transfer to other funds</b>	<u>( 57,408)</u>	<u>-</u>	<u>-</u>	<u>( 57,408)</u>
Net Income	<u>( 53,000)</u>	<u>476,873</u>	<u>13,551</u>	<u>437,424</u>
Net Assets at beginning of year	-	4,274,322	13,970	4,288,292
Prior Period Adjustment	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>53,000</u>
Net Assets at beginning of year as restated	<u>53,000</u>	<u>4,274,322</u>	<u>13,970</u>	<u>4,341,292</u>
Net Assets at end of year	<u>\$ -</u>	<u>\$ 4,751,195</u>	<u>\$ 27,521</u>	<u>\$ 4,778,716</u>

# ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY

## INTERNAL SERVICE FUNDS COMBINING SCHEDULE OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2006

	Risk Corridor Financing		Building	
	St. Clair CMH	PIHP	Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from state	\$ -	\$ 273,659	\$ -	\$ 273,659
Cash receipts from interfund services	-	-	105,878	105,878
Cash payments to employees/suppliers	-	-	( 11,609)	( 11,609)
Net Cash Provided by Operating Activities	-	273,659	94,269	367,928
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfers to other funds	( 57,408)	-	-	( 57,408)
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Advances from other funds	-	-	177,840	177,840
Interest payments	-	-	( 70,109)	( 70,109)
Acquisition and construction of capital assets	-	-	( 202,000)	( 202,000)
Net Cash Provided by Capital and Related Financing Activities	-	-	( 94,269)	( 94,269)
<b>Cash Flows From Investing Activities</b>				
Purchase of investments		( 4,477,536)	-	( 4,477,536)
Interest Earned	4,408	203,214	-	207,622
Net Cash Used by Investing Activities		( 4,274,322)	-	( 4,269,914)
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 53,000)	( 4,000,663)	-	( 4,053,663)
Cash and Cash Equivalents at Beginning of Year	53,000	4,274,322	-	4,327,322
Cash and Cash Equivalents at End of Year	\$ -	\$ 273,659	\$ -	\$ 273,659
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income	\$ -	\$ 273,659	\$ 83,660	\$ 357,319
Adjustments to reconcile operating income to net cash provided by operating activities-				
Depreciation	-	-	48,735	48,735
Changes in assets and liabilities:				
Due from other funds	-	-	( 38,126)	( 38,126)
Net Cash Provided By Operating Activities	\$ -	\$ 273,659	\$ 94,269	\$ 367,928



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the St. Clair County Community  
Mental Health Authority  
Port Huron, Michigan

We have audited the financial statements of the St. Clair County Community Mental Health Authority as of and for the year ended September 30, 2006, and have issued our report thereon, dated March 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the St. Clair County Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the St. Clair County Community Mental Health Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors of the St. Clair County Community Mental Health Authority, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Certified Public Accountants

March 12, 2007